



ANNUAL BUDGET



2010 / 2011

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1. EXECUTIVE MAYOR'S BUDGET SPEECH

Speech by the Executive Mayor on the presentation of the 2010/2011

The 2010/2011 budget was prepared within the following context:

- 1) Firstly, whilst we are at the tail end of the economic recession it is becoming clear that South Africa will lag behind most major economies in the recovery. Economic growth for the coming year will be in the region of 2.5% but the majority of that growth will only materialize in the final quarter of the year. Whilst inflation has dipped below the 6% mark, South Africans are yet to experience the effect of high increases in electricity and fuel.
- 2) The second important feature of this budget is that it is the last one in this Council's term of office. The vast majority of capital priorities will be completed by the end of June 2010, making this budget somewhat smaller than the existing one. There are few government institutions that can claim a high spending rate on capital and I am therefore proud of the fact that we will not have to show many millions of rands in "roll-over" funds.

Despite the above context, the capital budget for 2010/2011 totals R40.2 million, of which R9.8 million is own funding, R11.1 million will be loan funding and the remaining R19.2 million will originate from grants – most notably the Municipal Infrastructure Grant. Some of the capital projects are:

- 1) Phase 2 of the Sicelo multi-purpose centre.
- 2) R2 million for the extension of the sewer network in the former rural areas
- 3) R1 million for an interim upgrade of the sewer purification works
- 4) R1 million to continue with the revenue protection programme aimed at reducing water losses.

In this regard I must point out Midvaal's success in reducing water losses from 31.5% to 25.7% in the previous financial year and further upgrades to our water reticulation network will ensure even more savings for our ratepayers in the future.

- 5) Almost R5.5 million is proposed for phase 3 of upgrading roads from gravel to tar and much of it will be spent in Wards 8 and 10.

On the issue of roads I want to say that we are aware of the many problems caused by the recent heavy rains. Over the past few weeks I have travelled the lengths and breadths of Midvaal with MMC's and the Engineering Department assessing the millions of rands in damage to our roads. A lot of resealing and upgrading has already taken place and by 30 June 2010 all identified priorities will be completed. The operational budget does make provision for a small amount of money to upgrade tar roads in the coming financial year and it is envisaged that these funds will focus mostly on the areas of Walker's Fruit Farms, Valley Settlements, Pendale and Blue Saddle Ranches. Remaining monies will be spent on the patching of potholes and I want to thank the Roads Department for their recent efforts in this regard. Pothole patching is happening at a slower pace than before as it is more important to do a proper job that will last longer than to waste thousands of rands by filling many holes that will simply re-occur again within a week.

It is also pleasing to see that the Provincial Roads Department is starting to repair some of their roads. In recent weeks Midvaal stepped in to assist the province in repairing main roads such as

the R82 and the M61 but we cannot continue doing this as there are numerous municipal roads which require our attention.

- 6) R3.4 million will be spent on the building of a fire station to serve the communities of Vaal Marina and Mamello.
- 7) In the waste management department we propose to purchase two tipper trucks and one compactor totaling R2.5 million. The two existing tipper trucks have reached the end of their economic life and it is no longer feasible to rent vehicles every time there is a breakage.

R2 million will be spent on upgrading the Galloway, Klipriver and Blackwood transfer stations to bring them in line with new legislative requirements. We are currently submitting a business plan to obtain grant funding for the purchase of the Walkerville Landfill Site which is currently still owned by the Walker family. Should the business plan be approved and negotiations be successful we will submit an item to Council to consider the offer.

Councillors will notice that provision has been made for the roll-out of "Wheelie Bins" to 10 000 households. Whilst I consider this to be one of our most exciting projects, the Mayoral Committee and I still have some practical concerns which may delay implementation. However we hope to have these concerns addressed before this budget returns for final approval in May.

- 8) By now ratepayers should know about my passion for libraries, and I am pleased to propose R675 000 for the upgrade of facilities in the capital budget as well as an additional R380 000 for the purchasing of new books.
- 9) The capital budget does include two priorities which have been recently identified. These priorities are two fire carts (one for ward 5 and one for ward 7) as well as an entrance sign for the town of Klipriver similar to the ones found in other parts of Midvaal.

Mr. Speaker, the operational budget was an extremely difficult balancing act to achieve. We are mindful of the fact that many residents are struggling to pay their municipal accounts and any increases in tariffs would only make their burden heavier to bear. On the other hand, costs such as salaries, water, electricity and fuel will all increase by more than the inflation rate. You can only spend what you have and you can only get the level of service that you pay for. With the current economic climate it is irresponsible to spend money on "nice-to-have" projects and we will therefore continue to focus on getting the basics right and at the lowest possible cost.

In this regard I want to commend Midvaal's administration for the manner in which we have implemented cost-cutting measures. The vast majority of our staff have taken this challenge seriously and I am pleased to see that we continue to find innovative ways to do more with less. Government will always be compared negatively with the private sector because of the absence of the "profit motive", but I am proud to head up an institution that has emerged from a major economic crisis in a better shape than most municipalities and indeed many businesses. We certainly must thank our staff for their efforts in achieving a leaner and more efficient administration.

The operational budget for 2010/2011 totals R478 million. After adjusting for non-cash expenditure such as depreciation, inter-departmental charges and provision for bad debts the salary budget is about 30% of total expenditure which is in line with accepted norms. We have provided for an 8% increase in

salaries which is in line with the agreement reached between SALGA and unions on a national level. Remuneration for Councillors increases by 30%, but not because we are allowing for large increases. After the local government elections set to take place early next year Midvaal will have an additional 8 Councillors and provision must be made for their allowances.

In keeping with our mission to cut costs we are proposing a real decrease in entertainment, conferences, telecommunications, public functions, fuel, legal fees, marketing and similar expenses - taking into account the adjustment for inflation.

We have provided R1.1 million as project management costs for the initial phase of Savannah City (Doomkui), which will see about 14 000 housing units built over the next 8 years, however we will enter into negotiations with the developer to cover this cost as we remain passionate about the principle that existing ratepayers should never subsidise new developments.

The Municipal Public Accounts Committee will see its budget increase by 25% in recognition of the training which members need to receive.

We propose to spend more than R9,3 million on the maintenance of bulk services. This is a 37% increase and underlies our commitment to maintain and improve public infrastructure. More than R15.7 million is provided for the maintenance of gravel and tar roads which is a 16.3% increase. This will ensure that the existing gravel road maintenance programme will continue at the same standard, and as previously mentioned, there will be a specific focus in many of the rural areas as far as maintenance of tarred roads is concerned.

Maintenance of sewerage pump stations will increase by 26% to R570 000. We will continue to make use of an external contractor with specialist skills to assist with the operation of the purification works. Over the past few months we have seen our effluent compliance improve dramatically and the sewerage system as a whole is currently operating at very commendable levels, especially when compared with the horror-stories emerging from other municipalities. I must warn the next Council, as well as the Department of Housing, that interim upgrades to the Meyerton Water Care Works will have to be a top priority if we wish to see a continuation of economic growth and housing provision in the area.

Within the Department of Development and Planning we have provided money for our much needed Land Use Management System which will rely heavily on community participation to design detailed spatial development frameworks for each area.

The Protection Services Department has received adequate funds for the painting of roads and replacement of street signs – especially in wards 4, 5, 6 & 7 which have not yet been attended to.

After a difficult period in January, the Parks Department has shown a tremendous improvement in work output. I also wish to thank them for their passion in implementing the adopt-a-tree programme. The budget will not allow any extension of services for the department but does provide for the current level of service to continue – namely that identified areas will be cut with tractors and bush cutters every four weeks.

Waste Management will continue to receive additional funds for the picking up of litter and ever since the new programme was implemented about 4 months ago there has been a marked improvement in that regard.

The electrical department will not only benefit from much needed new vehicles but will also see an increase in its staff complement. One of the effects of the recession is an increase in the number of electricity meters that have been by-passed. Electricity theft is costing Midvaal's ratepayers millions of rands and with additional staff and equipment we are committed to identifying offenders and recovering losses from them. This department has also done well in completing the upgrade of the M1 substation together with officials from Eskom. Whilst the upgrade has had challenges and caused a few subsequent power outages these were to be expected. The result is that supply capacity in the Meyerton area has doubled to 60MVA and places Midvaal in a highly competitive and unique position to attract future investment.

The Support Services Cluster, namely Corporate Services, HR & Finance have also been hard-hit by cost-cutting measures, particularly as their duties are internal and administrative in nature. I really want to commend the staff for their positive "can-do" attitude and their attempts to learn new skills so that we do not have to outsource tasks. It's the small things like using less stationery, paper, electricity, water, cleaning materials etc that have made a big difference.

The most difficult part of any budget is proposing tariff increases, and as previously mentioned, this is even more difficult at a time when households are cash-strapped. We have thus attempted to keep overall increases in line with inflation however in the case of water and electricity consumption this was obviously not possible:

Water consumption tariffs will increase by 14%, in line with increases by Rand Water.

Electricity consumption tariffs will increase by 28.6%. Whilst NERSA has indicated that Municipalities should not increase tariffs by more than 22%, National Treasury issued a circular containing a formula which allows Municipalities to allow for a previous under-recovery of income if it can be motivated and proven. The details are very technical but essentially Eskom increases tariffs as of 1 July 2010 but backdates it to 1 April.

Therefore the municipality must increase tariffs by more than 22% if it is to recover the back-dated amounts for the months prior to 1 July. When applying Midvaal's information to the formula by National Treasury it is clear that the municipality must increase its tariffs by 28.6% to ensure the future viability of the service.

Basic electricity tariffs will increase by 15%, whilst basic water will increase by 3.5%.

Residential, Agricultural & Farm Assessment Rates will increase by 9%.

Residential and Agricultural refuse tariffs will increase by 6.5% and those of sewerage by an average of 8.5%.

It is difficult to calculate the average increase per household as it will be different for each area depending on whether or not municipal water and electricity is consumed, however households which do make use of those services can prepare themselves for an increase of approximately 17% in the total account. It is unfortunate that the municipality will bear the brunt of increases applied by Eskom and Rand Water and that such increases will severely impact on the growth of our local economy. If we remove the water and electricity consumption charges from the equation then the remaining charges only increase by a total of 8.5% which we believe is in line with inflation expectations and shows our commitment to keeping municipal accounts as affordable as possible.

Mr. Speaker, I wish to thank everyone who assisted in the preparation of this budget. Particularly the Municipal Manager, HODS, and staff in the finance department. Councillors will note that the budget has taken on a new format according to National Treasury Regulations and I appreciate the mammoth effort made in ensuring Midvaal's compliance.

I also wish to thank yourself Speaker, and the MMC's - not only in assisting with this difficult task but for your valued support of my management style and your enthusiasm for a more hands-on approach.

I invite Councillors and members of the public to obtain a copy of this draft budget, to study it in detail and indeed to give us your comments during the upcoming public participation process. This budget impacts on your pockets, your roads, your streetlights, your infrastructure and, above all, your lifestyle and it is therefore important that you make this document your own.

It is therefore clear that the 2010/2011 budget focuses on the basics. Maintain water, electricity, sewerage, roads and other infrastructure. Make sure refuse is removed weekly, and processed responsibly. Ensure that accounts are sent out on time, that cash flow is positive, that assets are protected and that those who can afford to pay their accounts – do so!

Cut grass once a month in the summer period, pick up litter and clean flowerbeds. Monitor development according to a Land Use Management Plan designed in consultation with the community. Clean storm water drains, fix street lights, provide quality services at clinics and libraries. Protect lives and quality of life from fire and traffic accidents as well as environmental hazards. Mark the roads, manage informal trading, market the area and the Midvaal brand.

Ensure that Councillors receive the necessary administrative support and that the community can participate in local government affairs. Ensure that your workforce is trained, healthy and productive. And of course, strive to do this at the lowest possible cost whilst maintaining the highest possible quality...and by realizing that you can never please every ratepayer but must always treat each one equally.

Not a simple task - but it is one that the ruling Democratic Alliance will continue to execute so that by the end of our term of office we will look back proudly on having delivered the excellent quality of services that Midvaal's Ratepayers deserve!

I thank you.

2. BUDGET RELATED RESOLUTIONS

- 2.1 Council resolves that the annual budget of the municipality for the financial year 2010/11; indicative for the two projected outer years 2011/12 and 2012/13 be approved and the multi-year and single year capital appropriations be approved, in accordance with Section 24 of the Municipal Finance Management Act, 56 of 2003, as set-out in Annual budget tables.
- 2.2 Council resolves that tariffs and charges reflected in **Annexures "C" – "Q"** are approved for the budget year 2010/11.
- 2.3 Council resolves that the measurable performance objectives for revenue from each source are approved for the budget year 2010/11.
- 2.4 Council resolves that the measurable performance objectives for each vote are approved for the budget year 2010/11.
- 2.5 Council resolves that the amended policies for credit control, debt collection and indigents, rates, etc are approved and available on the municipal website, various libraries and finance offices for the budget year 2010/11.

3. EXECUTIVE SUMMARY

The three year budget has been compiled in terms of Generally Recognised Accounting Practices (*GRAP*), *MFMA No.56 of 2003*. The budget has also been compiled on a three year basis, which is a requirement of National Treasury. The budget process for the compilation of the three-year budget commenced in August 2009. The municipality were faced with various challenges during the compilation of the budget and reviewing the IDP such as the formulation of measurable objectives for the different functions, the financial implications of the organisational structure, capital costs, rising input costs to deliver services and the increasing of maintenance costs.

According to National Treasury MFMA Circular No. 28 of 2005:-

- The draft budget documentation must be tabled to council not later than 31 March (90 days before the start of the budget year).

BUDGET – 2010/2011

A three (3) year capital budget has been prepared and built on the IDP document to be approved by the Council on 27 May 2010. The Budget steering committee meetings were held on the 9th of March as well as on the 18th of May 2010. Budget workshops were held on 24 and 25 March 2010 with all the political structures. Discussions and deliberations took place ensuring good governance. External factors, past and current performance, service delivery standards, fiscal strategy, financial position, constraints and ongoing viability and sustainability was discussed.

Public meetings were held during April 2010. Inputs will be received from the public and will be incorporated where possible.

CAPITAL BUDGET

The capital amount required for 2010/2011 amounts to R40 235 000.

EXECUTIVE SUMMARY

On the capital budget, the Council need to use ± R9.8 million from its own funds. The Council made provision on the 2010/2011 capital budget for external loans to the amount of R11.1 million to fund the purchasing of vehicles required for basic service delivery. The amount to be received from grants is R19.219 million. Many of the capital projects required by the Executive Managers were reduced due to a lack of funds and the increasing maintenance costs.

OPERATING BUDGET

Expenditure

The operating expenditure budget for 2010/2011 amounts to R478 529 176 as compared to the previous revised budget of R402 911 976 in the 2009/2010 financial year. This represents an increase of 18.7%.

To keep the budget within the income of the council, many requests of the Executive Directors could not be budgeted for, because the council cannot allow tariff increases to be too high. Council revised its tariffs to be in line with surrounding municipalities.

The main sections of the expenditure in the operating budget are the following: -

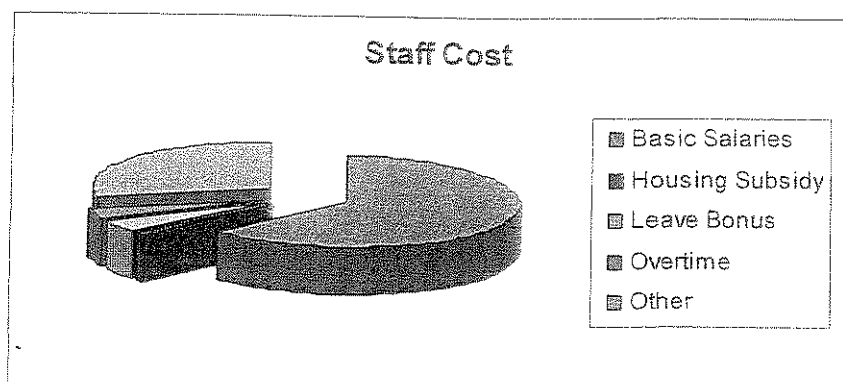
Salaries

This section increased from R112 687 935 for the 2009/2010 financial year's revised budget to an amount of R134 023 204 for the 2010/2011 financial year (excluding councilors), which includes a general, salary increase of 8.48% to all staff members, the overall increase over salaries is 18.9%, which is due to the fact that some vacancies had to be filled in order to sustain service delivery. The total salary package of the Council amounts to 30% of the total expenditure.

EXECUTIVE SUMMARY

SALARIES: 2010/2011

Description	Budget 2010/11	Revised 2009/10	-Decr/Incr
Basic Salaries	83,688,511	70,379,847	13,308,664
Housing Subsidy	1,273,640	1,333,400	-59,760
Leave Bonus	6,050,406	5,493,172	557,234
Overtime	4,746,600	4,588,510	158,090
Other	38,264,047	30,893,006	7,371,041
Total	134,023,204	112,687,935	21,335,269



General Expenses

Increased from R210 118 893 to an amount of R243 599 199. This represents an increase of 15.93% and includes expenditure with regard to: -

DESCRIPTION	FROM	TO	%
Bulk purchases Electricity	R 69 000 000	R 84 800 000	22.8%
Bulk purchases Water	R 44 500 000	R 51 485 148	15.7%
TOTAL	R113 500 000	R136 285 148	20.1%

EXECUTIVE SUMMARY

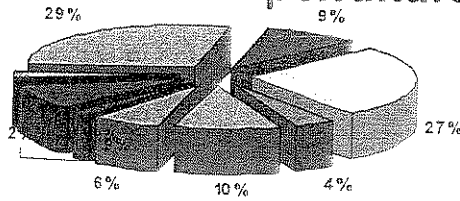
The Council has no control over the abovementioned expenditure and the increase was R22 785 148 or 20.1%. These two (2) elements represent 56.3% of the General Expenses.

The growth in the expenditure is high and tariffs cannot be increased with the same percentage.

COMPARITIVE INCOME AND EXPENDITURE 2009/10 TO 2010/11

Description	Budget 2010/11	Revised 2009/10	-Decr/Incr	% - Decr/Incr
Employee/Councillors Related Costs	140,294,292	117,481,731	22,812,561	19.42
General Expenditure	40,790,640	38,087,545	2,703,095	7.10
Bulk Purchases	136,285,148	113,500,000	22,785,148	20.08
Expenditure - Financial Services	19,154,645	17,627,565	1,527,080	8.66
Contracted Services	45,920,016	40,903,783	5,016,233	12.26
Repairs and Maintenance	31,730,600	27,033,450	4,697,150	17.38
Departmental Charges	3,802,066	8,646,582	-4,844,516	(56.03)
Depreciation	51,543,017	39,504,174	12,038,843	30.47
Contributions to Provisions	10,580,000	6,640,000	3,940,000	59.34
Less: Amounts Charge Out	-1,571,249	-6,512,854	4,941,605	(75.87)
Total: Expenditure	478,529,176	402,911,976	75,617,200	18.77
Assessment Rates	106,009,047	98,500,000	7,509,047	7.62
Electricity	109,429,203	89,300,000	20,129,203	22.54
Water	80,839,536	70,442,200	10,397,336	14.76
Refuse Removal	16,116,900	14,816,500	1,300,400	8.78
Sewerage	19,759,668	18,523,000	1,236,668	6.68
Tariff Charges	40,101,200	34,987,700	5,113,500	14.62
Government Grants and Subsidies	78,236,105	177,882,222	-99,646,117	(56.02)
Fines	11,874,000	7,017,000	4,857,000	69.22
Other Income	16,317,600	11,671,515	4,646,085	39.81
Total: Operating Income Generated	478,683,259	523,140,137	-44,456,878	(8.50)
Income Foregone	22,000,000	19,500,000	2,500,000	12.82
Grand Total: Operating Income	456,683,259	503,640,137	-46,956,878	(9.32)
Minus: Offset in Dep.& Grants	21,853,620	-100,658,450	122,512,070	(121.71)
Closing Unappropriated Surplus/ (Deficit)	7,703	69,711	-62,008	(88.95)

Expenditure 10/11

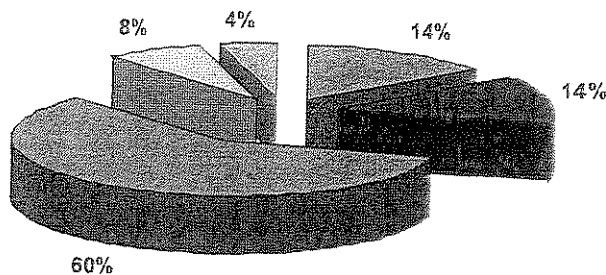


- Employee/Councillors Related Costs
- Bulk Purchases
- Contracted Services
- Departmental Charges
- Contributions to Provisions
- General Expenditure
- Expenditure - Financial Services
- Repairs and Maintenance
- Depreciation
- Less: Amounts Charge Out

Expenditure per department

Department	Amount
Management support services	68,159,658
Social Services	67,678,552
Engineering Services	284,848,643
Protection Services	36,965,558
Development & Planning	20,876,764
	478,529,176

Expenditure per department

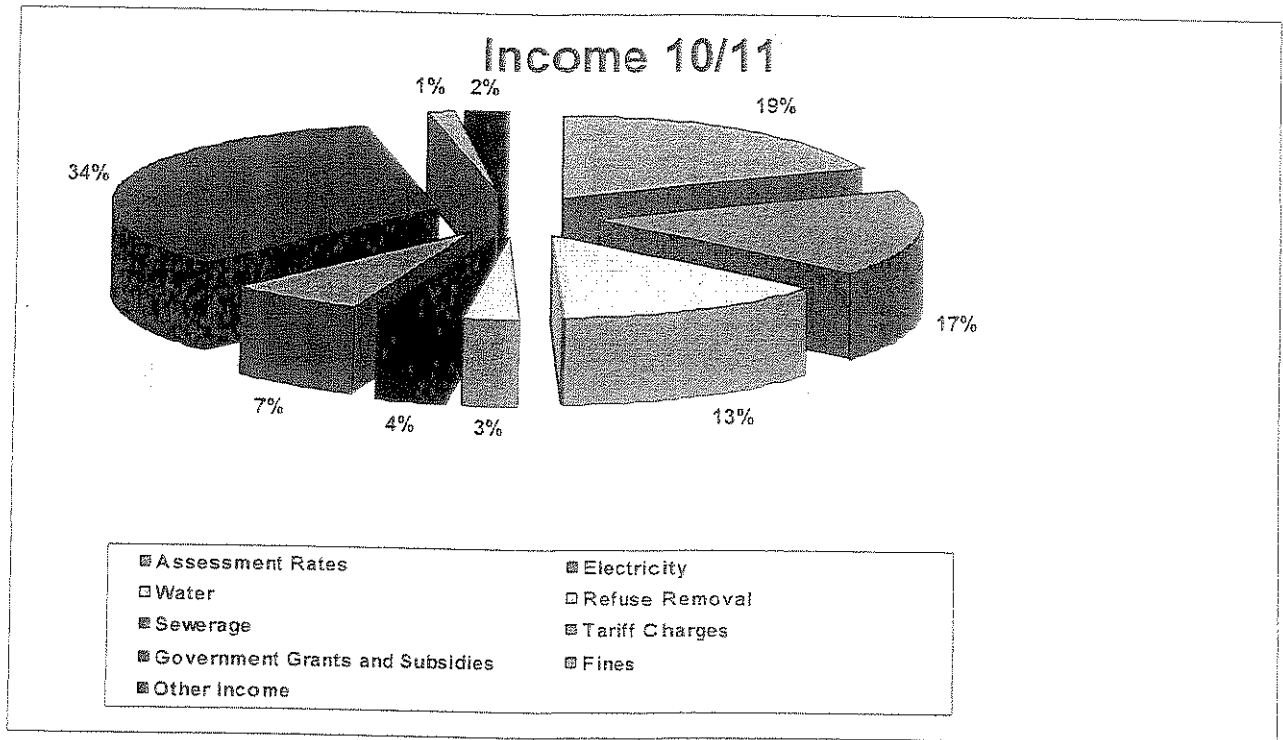


- Management support services
- Social Services
- Engineering Services
- Protection Services
- Development & Planning

Income

The operating income for 2010/2011 is budgeted at R456 683 259 thus leaving a surplus on the operating account of R7 703. Provision has been made to supply all households serviced by the Council with 6Kl of water free of charge. The Income Budget has been compiled and based on a 100% income principle, although provision for bad debts has been provided for in the Operating Expenditure Budget for 2010/2011.

To cover the expenditure of the operating budget all the tariffs of the Council were investigated and where necessary increased. The increase in user levy charges amounted from R291 581 700 to R332 145 354 for 2010/2011 financial year. This constitutes an increase of 13.9%.



Examples of different accounts in the Midvaal Local Municipal area are as follow:

Golfpark

	2009/2010	2010/2011	% INCREASE
ASSESMENT RATES	330.67	360.38	8.98
BASIC WATER	29.00	30.00	3.45
WATER CONSUMPTION	242.74	279.94	15.33
BASIC ELECT	49.40	56.80	14.98
ELECT CONSUMPTION	609.40	743.50	22.01
BASIC SEWERAGE	56.20	59.00	4.98
ADD SEWERAGE	52.00	56.40	8.46
REFUSE	77.00	82.00	6.49
	1,446.41	1,668.02	15.32
VAT 14%	156.20	183.07	17.20
TOTAL PER MONTH	1,602.61	1,851.09	15.50

Sicelo

	2009/2010	2010/2011	% INCREASE
ASSESMENT RATES	0.00	0.00	0.00
BASIC WATER	29.00	30.00	3.45
WATER CONSUMPTION 10 KI	46.64	53.84	15.44
BASIC ELECT	49.40	56.80	14.98
ELECT CONSUMPTION 498 U			
BASIC SEWERAGE	56.20	59.00	4.98
ADD SEWERAGE	52.00	56.40	8.46
REFUSE	77.00	82.00	6.49
	310.24	338.04	8.96
VAT 14%	43.43	47.33	8.96
TOTAL PER MONTH	353.67	385.37	8.96

Meyerton Small Farms

	2009/2010	2010/2011	% INCREASE
ASSESMENT RATES	202.67	220.88	8.98
BASIC WATER	29.00	30.00	3.45
WATER CONSUMPTION 30 KI	242.74	279.94	15.33
BASIC ELECT	49.40	56.80	14.98
ELECT CONSUMPTION 1000 U	609.40	743.50	22.01
BASIC SEWERAGE	56.20	59.00	4.98
ADD SEWERAGE	52.00	56.40	8.46
REFUSE	77.00	82.00	6.49
	1,318.41	1,528.52	15.94
VAT 14%	156.20	183.07	17.20
TOTAL PER MONTH	1,474.61	1,711.58	16.07

ALIGNMENT WITH AND ACHIEVEMENT OF NATIONAL, PROVINCIAL AND DISTRICT PRIORITIES

Following from the Situational Analysis and concluding SWOT Analysis as dealt with in this chapter, issues and concerns raised by the Midvaal community during the community consultation process, and the IDP IGR Lekgotla on the Sedibeng Region Priorities up to 2011, the Priority IDP Challenges and Key Issues for the Midvaal Area can be stated as follows:

- Economic Development.
- Ensure Sustainable Development Strategies.
- Improve provision for information.
- Skills Development.
- LED support and implementation.
- Integrated Land Use Management System.
- Implementation and monitor of a Performance Management System. (PMS).
- Environmental Management.
- Optimise tourism potential.
- Rural Development
- Poverty alleviation, particularly in rural areas.
- Service backlogs (water, sanitation, electricity, roads, stormwater, solid waste, cleansing) needs to be addressed.
- Upgrading and maintenance of roads and stormwater, electricity, water, sewer and purification networks.
- Improve access and linkages between towns, informal and rural settlements.
- Public transportation should be improved. Bus and taxi ranks must be upgraded and the railway line should be better utilised. Public facilities should be provided at bus stops, taxi ranks and stations.
- Improve solid waste management.
- Broaden Revenue Base.
- Ensure high level of payment for Services.
- Indigent provision.
- Access to land, housing and security of tenure.
- Access to social services and community centres.
- Building of new and upgrading of existing sport and recreation facilities.
- Improvement education facilities on all levels.
- Implementation of the HIV/AIDS plan.
- Crime prevention (Safety and Security).

The R59 pose a great potential in terms of development / job opportunities / and Local Economic Development, however the lack of engineering services limit development at this point in time, however the Midvaal Local Municipality has embarked on the formulation of a Development Strategic for the R59 Corridor in order to facilitate development alongside this corridor in a co-ordinated manner to ensure access to services.

4. *ANNUAL BUDGET TABLES*

INCLUDE TABLE A1 TO A10

5. OVERVIEW OF ANNUAL BUDGET PROCESS

Political oversight of the budget process

This section provides an overview of the Budget process and the 2010/2011 – 2012/2013 Multi-Year Operating and Capital Budgets and the linkage with the IDP.

The 2010/2011 – 2012/2013 Multi-Year Budget was assessed by the different departments with the intention to move towards a realistic activity based budget for the Municipality and to ensure that the budget is focusing on service delivery.

Departments were requested to clearly demonstrate how their budget addresses the following:

- ☐ Municipal priorities
- ☐ Alignment with the IDP
- ☐ Community Needs (Ward-based)
- ☐ Visible Delivery
- ☐ Political (MMC & Portfolio) Involvement

The key to strengthening the link between priorities and spending plans lies in enhancing political oversight of the budget process. Section 53(1)(a) of the MFMA states that the mayor of a municipality must provide political guidance over the budget process and priorities that must guide the preparation of the budget.

Political oversight of the budget process is essential to ensure that the political executive is responsible for policy and prioritisation.

Priorities are linked to departmental spending plans and the delivery of quality services.

As was the case with the 2009/2010 financial planning process, the Mayoral Committee had a significant role to play in the financial planning process. Strengthening the link between governments' priorities and spending plans is not an end in itself, but the goal should be enhanced service delivery aimed at improving the quality of life for all the people within the municipality boundaries.

Budgeting is primarily about the priorities and choices that the Municipality has to make in deciding how to meet the agreed set of policy objectives through better service delivery.

Political oversight of the budget process allows Government and in particular the Municipality to manage the tension between competing policy priorities and fiscal realities.

The key to strengthening the linkage between priorities and departmental plans lies in enhancing political oversight of the IDP and Budget process.

Schedule of key deadlines relating to the budget process

TIME SCHEDULE OF KEY DEADLINES: FY 2010 / 2011

Month	Municipality <u>MIDVAAL LOCAL MUNICIPALITY</u>
	Mayor and Council Administration Budget Year <u>2010 / 2011</u>
July	<p>Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process MFMA s 53</p> <p>Accounting officers and senior officials of municipality begin planning for next three-year budget MFMA s 68, 77</p> <p>Accounting officers and senior officials of municipality review options and contracts for service delivery MSA s 76-81</p> <p>Planning includes review of the previous years budget process and completion of the Budget Evaluation Checklist</p>
August	<p>Mayor tables in Council a time schedule outlining key deadlines for: preparing, tabling and approving the budget; reviewing the IDP (as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year. MFMA s 21,22, 23; MSA s 34, Ch 4 as amended</p> <p>Mayor establishes committees and consultation forums for the budget process</p>
September	<p>Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans</p> <p>Budget offices of municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives</p> <p>Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)</p>
October	<p>Accounting officer does initial review of national policies and budget plans and potential price increases of bulk resources with function and department officials MFMA s 35, 36, 42; MTBPS</p>
November	<p>Accounting officer reviews and drafts initial changes to IDP MSA s 34</p>
January	<p>Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January) MFMA s 36</p>
February	<p>Accounting officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report</p> <p>Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year MFMA s 37(2)</p>

March	<p>Accounting officer publishes tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to NT, PT and others as prescribed MFMA s 22 & 37; MSA Ch 4 as amended</p> <p>Accounting officer reviews any changes in prices for bulk resources as communicated by 15 March MFMA s 42</p> <p>Mayor tables municipality budget, resolutions, plans, and proposed revisions to IDP at least 90 days before start of budget year MFMA s 16, 22, 23, 87; MSA s 34</p>
April	<p>Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc MFMA s 21</p> <p>Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year</p>
May	<p>Public hearings on the budget, and council debate. Council considers views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. Council to consider approval of budget and plans at least 30 days before start of budget year. MFMA s 23, 24; MSA Ch 4 as amended</p> <p>Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature</p>
June	<p>Council must approve annual budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year MFMA s 16, 24, 26, 53</p> <p>Accounting officer submits to the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1)(b) of the MSA. MFMA s 69; MSA s 57</p> <p>Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval. MFMA s 53; MSA s 38-45, 57(2)</p> <p>Accounting officers of municipality and entities publishes adopted budget and plans MFMA s 75, 87</p> <p>Council must finalise a system of delegations. MFMA s 59, 79, 82; MSA s 59-65</p>

The tabling of the draft budget in Council on 29 March 2010 will be followed by publication of the budget documentation and various community consultation and community consultative meetings. Ward committees, residents, community organisations and other stakeholder formations will be invited to make representations and submissions on the draft budget.

Activity and Purpose	Participants
Special Council Meeting	Executive mayor tables budget (pre-community consultation) to Council
Draft Budget	Made available on the municipality's website, municipal offices and notice placed in all major newspapers informing members of the public about the draft budget and inviting written submissions/representations.
Budget discussions	Ward committees/Stakeholders.
Community consultation	To present and discuss the draft budget proposals and receive inputs/ submissions
Closing of Submissions	Submissions to close on 8 May 2009.
Special Council Meeting	Executive Mayor delivers budget speech and submits final budget to Council for consideration and approval.

Process used to integrate the review of the IDP & preparation of the budget.

The pre-community consultation budget was published and various community consultation and community consultative meetings will be held to receive representations and submissions. In terms of Section 16 read with Section 17 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and in conjunction with the MFMA, ward committees, residents, community organizations and other stakeholder formations, will be invited to participate in the Council's budget process.

The pre-community consultation budget will be made available on the municipality's website, and hardcopies, will be made available on municipal notice boards and the various libraries.

Process for consultations with each group of stakeholders and outcomes.

Notices will be published in the major local newspapers, such as the Vaal Ster, Meyerton Ster, Sowetan and Beeld inviting the public to participate in the budget process. Notices will also be put in libraries and different pay points.

Process to record and integrate inputs from the community

After consideration of all budget submissions the Executive Mayor must be given the opportunity to respond, " necessary revise the budget and table amendments for consideration. To ensure that all community inputs are recorded and integrated, throughout the consultation period, a system were initiated to ensure that:

1. All written submissions were required to be directed to the CFO, who would maintain a record of lodgments and direct submissions to the appropriate department for comment and recommendation.
2. All verbal questions at community consultation meetings would be recorded, together with the answer provided at the meeting or referred by the CFO or representative to the appropriate department for comment and recommendation.
3. Where possible, the submissions and presentations received during the community consultation process and additional information regarding revenue and expenditure will be addressed before tabling of the final budget.

Statistics relevant to the process (submissions, attendance at forums etc.)

Statistics will be kept during the consultation process. The process of consultation will without a doubt add to the building of a working community in the ongoing struggle to develop and create a prosperous community.

The common areas observed by both politicians and officials and the issues catered for in the reviewed budget will be noted in the final documentation.

On completion of all community consultation proceedings the Chief Financial Officer will prepare a report for the Executive Mayor, summarising the representations received and indicating what action, if any, has been taken as a consequence of the representations.

All documents in the appropriate format (electronic and printed) will be provided to Provincial Treasury and National Treasury in accordance with the MFMA, and their views and inputs sought.

After the Budget is approved by Council, the Executive Mayor and/or senior officials will inform the community of the outcome thereof by means of publicity in the local newspapers and on the Council's website.

Key stakeholders involved in consultations

Rand Water

In terms of the MFMA, Rand Water has to provide the proposed tariff to National Treasury and SALGA to afford both institutions a period of 40 days for their consideration of the proposed tariff increase.

Rand Water informed its municipal customers in December 2009 that the bulk potable tariff will increase by 15.1% from 1 July 2010, which is within the National Treasury guidelines and will be acceptable to the municipalities.

Eskom

In accordance with MFMA (section 42) Eskom submitted a proposed a bulk electricity price amendment to SALGA. The increase in tariffs amounted to 24.8% from 1 July 2010.

Provincial Treasury

Provincial Treasury will analyse and evaluate the draft budget and give their inputs to the Mayoral Committee. Comments received from them will be included if necessary.

National Treasury

A copy of the draft budget will be submitted to National Treasury for any comments which will be included in the final budget.

6. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

This section provides a good understanding of what is contained in the IDP and how that guides the allocations in the budget. The budget documentation provides a good high-level overview of the IDP and reference is being made to the detailed IDP documentation. The following information obtained from the IDP is included in the budget document for ease of reference:

Vision

The Midvaal Municipal area, as the southern growth point of Gauteng, will be the renowned centre for residential settlement, tourism, agriculture, business, industry and commerce. We strive to enhance and sustain the quality of life in our urban and rural areas.

Mission

The vision is under-pinned by the following principles:

Sustainable growth and development, a special focus on rural areas
Quality, affordable services
Financial and fiscal discipline
Transformation and integration
Accountable and transparent local government
Recognition of the diversity of our communities
Respect for the fundamental rights of every person
Equity
Focus on economical growth and asset management
Safe and secure living environments
Maintenance of open spaces and natural assets

The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), requires adoption of a single, inclusive and strategic plan for the development of the municipality, as well as conducting an annual review. The MFMA requires any proposed amendments, as a consequence of the annual review, to be included within the medium term budget.

The IDP and the budgets are annually discussed with the community and the community leaders are invited to fully participate right through the process. The IDP is reviewed on an annual basis and is tabled on the council's meetings annually.

The key elements of the IDP review include the further elaboration of the followings:

Midvaal's key priorities are: -

- Economic development;
- Ensure sustainable development strategies;
- Improve provision of information;
- Skills development;
- LED support and implementation;
- Integrated Land Use Management System;
- Re- alignment of the Urban Edge;
- Implementation and monitor of a Performance Management System;
- Environmental Management;
- Optimise tourism potential;

- Rural development;
- Poverty Alleviation, particularly in rural areas;
- Service backlogs;
- Upgrading and maintenance of roads and storm water, electricity, water, sewer and purification networks;
- Improve access and linkages between towns, informal and rural settlements;
- Public transportation should be improved;
- Improve solid waste management;
- Broaden revenue base;
- Ensure high level of payment for services;
- Indigent provision;
- Access to social services and community centres;
- Building of new and upgrading of existing sport and recreation facilities;
- Improvement of education facilities o all levels;
- Implementation of the HIV/AIDS plan;
- Crime prevention;
- Water and electricity loss management;
- Extension of Engineering Services to unserved areas, and
- Upgrading and extension of bulk Engineering Services in support and in line with new developments.

The Midvaal IDP was prepared in terms of the provisions of chapter 4 of the Municipal Systems Act, (Act NO. 32 of 2000) and Municipal Financial Management Act (MFMA, 2003).

During the formulation of the IDP, the formulation process was prescribed in the Department of Provincial and Local Government's 'IDP Guide Pack' and an extensive public participation process will be followed.

All the councillors and most of the officials were involved in the formulation process. Thus the performance of the councillors will be measured against the achievements made through the IDP.

7. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Refer to Table SA7.

Drinking water quality and waste water management

The major part of Midvaal is supplied by Rand Water. Vaal Marina is supplied by a water and purification plant. Management of the plants is outsourced to Water and Sanitation Services of South Africa (WSSA), Gelert and Vaal Marina Construction.

- **The Blue Drop and Green Drop performance ratings (as determined by the Department of Water Affairs) applicable to all water and waste water services within the municipality, highlighting areas that require attention.**

Evaluation was done in November '09 and Midvaal Local Municipality's awaiting feedback from DWAF on the outcome.

- **The current status of the municipality's water safety plan and measures to be taken in 2010/11 and over the MTREF to implement is:**

Water and Sanitation Services South Africa (WSSA) completed a monthly management report on all the water supply facilities as well as the purification works.

Specific recommendations are made for implementation:

- ✓ Chlorine dosing must be optimized by performing analysis to determine the chlorine demand of the water on regular basis.
- ✓ A leaking clear water sump must receive urgent attention filtering sand is lost through the leak.
- ✓ Chlorine residuals and correct chlorine dosing must be achieved at all times to avoid unnecessary high plate count in the final water and within the reticulation network.
- ✓ To always achieve a Turbidity of < 1 NTU the filters have to be backwashed and sedimentation tanks desludged frequently to avoid unnecessary breakthrough and carried over of particles and flocs.

A brief outline of problems that the municipality is experiencing with regards to the management of drinking water and sewerage:

No problems experienced with drinking water. The capacity of the Waste Water Treatment Plant is insufficient. Funding is already sourced for the extension of the plant.

- **An outline of the steps the municipality need to take to address the problem noted: and**

Applications for additional funding is submitted for the extension of the plant on an interim basis. In the longer term, the plant will be decommissioned. The proposed Regional Sanitation Scheme will serve as a final solution to the purification of waste water.

- **The 2010/11 budget and MTREF allocations proposed/made to fund the above measures:**

MIG and DWAF funding are applied for to extend the existing plant.

8. OVERVIEW OF BUDGET-RELATED POLICIES

Midvaal Local Municipality annually review all these policies. The following budget related policies are included.

- 8.1 Tariff Policy
- 8.2 Credit Control Policy
- 8.3 Debt Collection Policy
- 8.4 Indigent Policy
- 8.5 Supply Chain Management Policy
- 8.6 Investment Policy
- 8.7 Rates Policy
- 8.8 Fixed Asset Management Policy
- 8.9 Borrowing Policy
- 8.10 Budget - Funding, Reserve and Virement Policy

9. **OVERVIEW OF BUDGET ASSUMPTIONS**

Budget assumptions are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury provides guidelines in terms of the inflation, whilst the National Electricity Regulator of South Africa (NERSA) regulates electricity tariff increases and DWAF regulates water tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including expansion of services.
- An assessment of the relative capacity to implement the budget.
- The need to enhance the municipality's revenue base.

The budget is therefore underpinned by the following assumptions:

FINANCIAL TARGETS

	2009/10	2010/11	2011/12
Income	%	%	%
Rates and Taxes	8.31	9.00	8.25
Basic Water	4.59	3.75	4.00
Basic Sewerage	2.18	6.50	7.00
Additional Sewerage	2.97	7.39	7.50
Refuse	4.40		6.80
Refuse special	7.00	6.00	6.80
Basic Electricity	8.58	15.60	11.50
Water Sales	16.00	15.10	15.00
Electricity Sales	28.00	22.00	25.00
Prepaid Electricity	28.00	22.00	25.00
TOTAL	15.20	14.18	11.68
Expenditure			
Total Expenditure Increase allowed (excluding repairs and maintenance)	6.00	6.00	6.00
Salary Increase	13.00	8.00	6.00
Increase in repairs and maintenance	6.00	6.00	6.00
Increase in bulk purchase of power costs	19.90	25.00	17.00

The municipality must include financially viable infrastructure projects in their framework to lure investors to their demographic space. This will increase both the economic growth and the municipalities own funds. It should therefore be crucial to consider the impact on the budget regarding repairs and maintenance.

Electricity price increases have a huge impact on the 2010/2011 budget. Bulk purchases will increase with $\pm 24.8\%$. Water price increases followed with a 15.1% increase for the 2010/2011 financial year.

The salary expenditure forms a large part of the budget. The increase will be 8% which was adopted by SALGA the previous financial year. This amounts to R137 186 791 out of a total expenditure budget of R474 974 142 – 28.9%

The impact of inflation also needs to be kept in mind.

10. OVERVIEW OF BUDGET FUNDING

Fiscal Overview

Financial Performance

The municipality's financial performance and position appears to be sound for the following reasons: Budgets are balanced, being funded from the current financial year's revenues. The municipality operates within its annual budget, as approved by Council.

The municipality maintains a positive investments position.

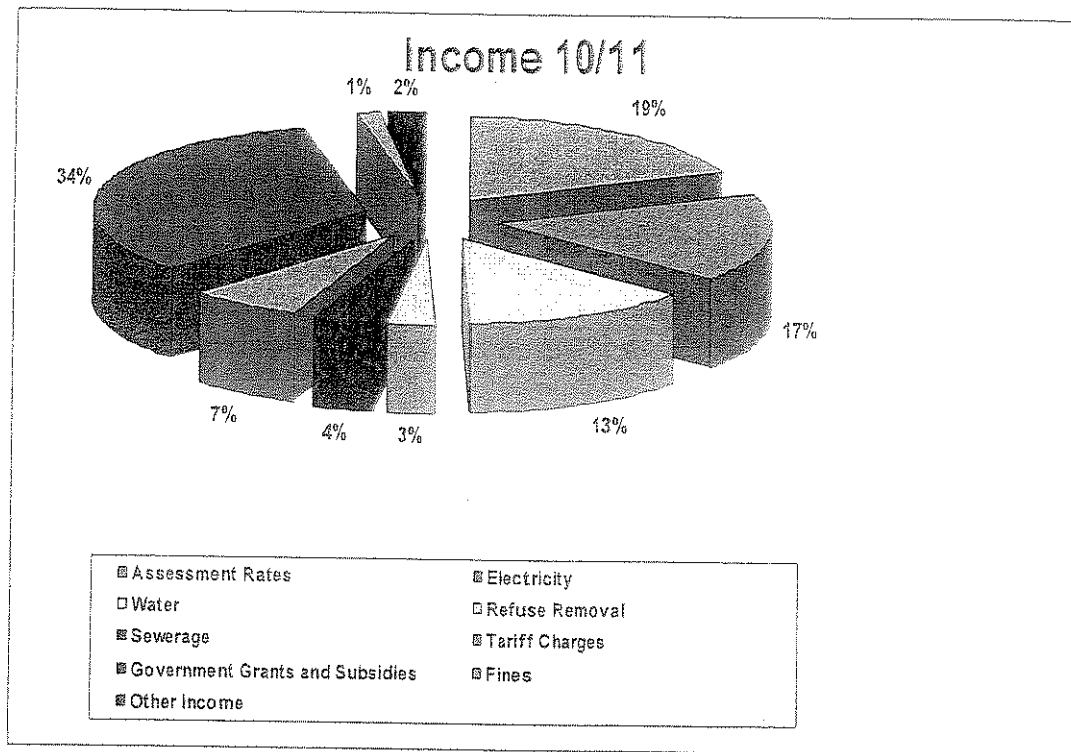
Consistently high revenue collection rates being achieved.

Midvaal Local reviewed all tariffs and also took into account tariffs of neighboring Councils. Rates and taxes remains the main source of revenue for the Council.

Income

The operating income for 2010/2011 is estimated at R453 068 982 thus leaving a surplus on the operating account of R48 460. Provision has been made to supply all households serviced by the Council with 6kl of water free of charge. The Income Budget has been compiled and based on a 100% income principle, although provision for bad debts has been provided for in the Operating Expenditure Budget for 2010/2011.

To cover the expenditure of the operating budget all the tariffs of the Council were investigated and where necessary increased. The increase in income from R404 394 031 budgeted for the 2009/2010 period to R453 068 982 budgeted for the 2009/2010 financial year is 12.03% . Income amounting to R99 246 106 was deducted due to the fact that this was a public donation to finance bulk services to a private development.

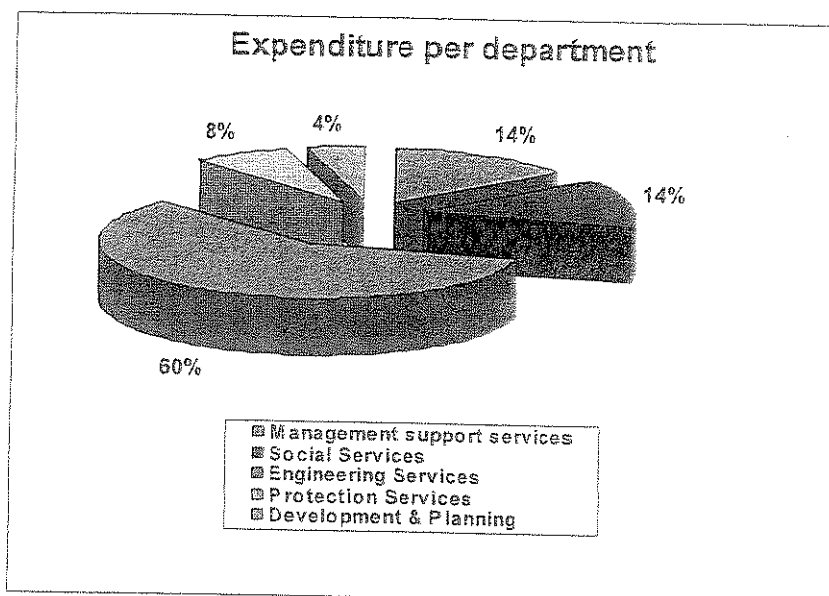


Expenditure

The operating expenditure budget for 2009/2010 amounts to R399 551 399 as compared to the previous revised budget of R338 632 366 in the 2008/2009 financial year. This represents a decrease of 17.98%.

To keep the budget within the income of the council, many requests of the Executive Directors could not be budgeted for, because the council cannot allow tariff increases to be too high. Council revised it's tariffs to be in line with surrounding municipalities.

The main sections of the expenditure in the operating budget are the following: -



Expenditure per department

Department	Amount
Management support services	68,159,658
Social Services	67,678,552
Engineering Services	284,848,643
Protection Services	36,965,558
Development & Planning	20,876,764
	478,529,176

The growth in the expenditure budget is mainly attributed to:

- Increased spending to addressing maintenance backlogs in infrastructure
- Increased spending on employee related costs
- Increased spending attributable to bulk purchasing costs for electricity and water and
- Increased servicing cost relating to borrowing.

Ongoing issues requiring monitoring and evaluation

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or commensurate reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in respect of Council's assets – adequacy of budgetary provisions;
- Maintenance of current collection rates

- Effectiveness of debt collection

Budget summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position and cash flow as well MFMA funding compliance). The table provides a snapshot view of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance.

Taking the aforementioned budget strategy, assumptions and principles into consideration the 2010/2011 to 2012/2013 budget was arrived at as follows:

Refer to Schedule A1 Table A1: Budget Summary

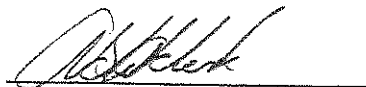
QUALITY CERTIFICATE

I, ASA DE KLERK, Municipal Manager of MIDVAAL LOCAL MUNICIPALITY, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

ASA DE KLERK

MIDVAAL LOCAL MUNICIPALITY – GT 422

Signature



Date

